

Message Text

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ACTION EUR-12

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E. O. 11652: N/A
TAGS: ENRG, EEC
SUBJECT: ENERGY SITUATION IN THE EUROPEAN COMMUNITY: PREPARATIONS
FOR EC ENERGY COUNCIL MARCH 29

REFS: (A) 76 EC BRUSSELS 9860; (B) 76 EC BRUSSELS 12640;
(C) ROME 2727

1. SUMMARY: THE EC COMMISSION HAS RECENTLY PREPARED A
NUMBER OF COMMUNICATIONS AND STATISTICAL REPORTS INTENDED IN
PART TO PREPARE FOR THE EC ENERGY COUNCIL MEETING NOW
SCHEDULED FOR MARCH 29. A SHORT REVIEW PAPER IS INTENDED
TO DRAMATIZE THE SERIOUSNESS OF THE LONG TERM ENERGY SITU-
ATION FACING THE COMMUNITY AND TO STRESS THE NEED FOR
"VIGOROUS COMMUNITY ACTION NOW" IN A NUMBER OF AREAS.
ANOTHER PAPER PROPOSES GREATER EMPHASIS ON ENERGY SAVINGS
AND CREATION OF A NEW ENERGY SAVING POLICY COMMITTEE. A
COMMISSION COMMUNICATION ON THE COAL MARKET, WHILE RECOGNIZ-
ING THE IMPORTANCE OF CONTINUED COAL IMPORTS, PROPOSES AN
"AUTOMATIC LICENSING PROCEDURE FOR COAL IMPORTS" TO OBTAIN
CURRENT INFORMATION ON TRENDS IN THE COAL MARKET. A
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NUMBER OF OTHER COMMISSION RECOMMENDATIONS CARRIED
OVER FROM 1976 ARE ALSO TO BE TAKEN UP BY THE COUNCIL.
END SUMMARY.

2. GENERAL REVIEW. THE COMMISSION'S COMMUNICATION
TO THE COUNCIL ENTITLED "THE ENERGY SITUATION OF THE
COMMUNITY" NOTES THAT THE SITUATION HAS DETERIORATED

SINCE ITS LAST GLOOMY REPORT IN SEPTEMBER 1976 (REF A), IT POINTS OUT THAT THE DECEMBER INCREASES IN THE PRICE OF OPEC OIL WILL COST THE COMMUNITY AN ADDITIONAL \$3 BILLION A YEAR AND THAT THE "NUCLEAR PROGRAM HAS SLOWED DOWN ABRUPTLY." THE REPORT FURTHER POINTS OUT THAT EVEN ON THE OPTIMISTIC ASSUMPTION THAT THE COMMUNITY WILL ACHIEVE A 95 GIGAWATTS NUCLEAR ELECTRIC POWER GENERATING CAPACITY BY 1985 (COMPARED TO AN EARLIER GOAL OF 125 GIGAWATTS), THE EC'S ENERGY GAP COULD BE FILLED ONLY BY INCREASING OIL IMPORTS TO \$60 BILLION A YEAR AT CURRENT PRICES, REPRESENTING NEARLY 50 PER CENT OF EC TOTAL ENERGY NEEDS. TOTAL ENERGY IMPORT DEPENDENCE WOULD THUS BE 55 PER CENT OR HIGHER IN 1985 (COMPARED TO ABOUT 60 PER CENT NOW AND TO AN EARLIER TARGET OF 45 PER CENT BY 1985).

3. THE REPORT STATES THAT IN ORDER TO ACHIEVE CONTINUED ECONOMIC GROWTH WITHOUT A SIGNIFICANT INCREASE IN OIL IMPORTS DURING THE NEXT DECADE "VIGOROUS COMMUNITY ACTION NOW" WILL BE NEEDED ON THE FOLLOWING FRONTS:

A. ENERGY SAVING

B. "INCREASED USE AND ECONOMIC HOME PRODUCTION" OF COAL.

C. ACTION TO "RESOLVE DOUBTS ABOUT THE PLACE OF NUCLEAR ENERGY IN OUR PROGRAM AND TO STRENGTHEN PUBLIC CONFIDENCE" AND ADDITIONAL R & D ON "NUCLEAR SAFETY LIMITED OFFICIAL USE

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AND RELATED ISSUES."

D. DEVELOPMENT OF NEW SOURCES OF ENERGY EVEN THOUGH THEIR CONTRIBUTION MAY REMAIN LIMITED BY 1985, (INCLUDING NUCLEAR FUSION -- "ONE OF THE MAJOR HOPES FOR THE NEXT CENTURY").

4. THIS SHORT REPORT CLOSES BY ASKING THE COUNCIL TO CONSIDER ENERGY PROPOSALS BEFORE IT IN THE LIGHT OF THIS SERIOUS SITUATION AND NOTES THAT IF THE ENERGY OUTLOOK IS NOT IMPROVED, THE COMMUNITY FACES "CONTINUED INSECURITY" AND THE POSSIBILITY THAT IN THE FUTURE EC "ECONOMIC AND SOCIAL POLICY WILL BE DOMINATED BY CONSTRAINTS ON THE ENERGY FRONT."

5. CURRENT SITUATION. VARIOUS RECENT COMMISSION REPORTS POINT OUT THAT, WHILE THE LONG TERM OUTLOOK IS SERIOUS, THE IMMEDIATE ENERGY SITUATION SINCE THE 1973 OIL CRISIS IS NOT TOO BAD. THE EC CONSUMED 2.5 PER

CENT LESS ENERGY IN 1976 THEN IN 1973 ALTHOUGH GNP WAS 5 PER CENT GREATER. FURTHERMORE, EC OIL PRODUCTION DOUBLED IN 1976 TO 22 MILLION TONS AND PROMISES TO DOUBLE AGAIN IN 1977. AN INTERNAL EC COMMISSION STUDY, STILL SUBJECT TO REVISION, MAKES THE FOLLOWING ESTIMATES OF THE COMMUNITY'S INTERNAL CONSUMPTION OF PRIMARY ENERGY (IN MILLIONS OF TONS OF OIL EQUIVALENT) BASED ON AN ESTIMATED DECREASE OF GNP IN THE EC IN 1975 OF 2.4 PER CENT AND GNP INCREASES IN 1976 AND 1977 OF 4.5 PER CENT AND 3.08 PER CENT, RESPECTIVELY:

	1975	1976 (EST)	1977 (EST)
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INTERNAL CONSUMPTION

COAL	169.4	176.0	176.0
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LIGNITE	26.5	27.3	27.3
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OIL	477.4	504.1	509.1
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NATURAL GAS	142.0	154.5	172.0
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PRIMARY ELEC-
TRICITY, ETC.

	52.1	48.5	60.8
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TOTAL	867.4	910.4	945.2
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6. THE SAME REPORT SHOWS A SUBSTANTIAL IMPROVEMENT IN THE COMMUNITY'S PETROLEUM SITUATION AS BOTH NATURAL GAS AND CRUDE OIL PRODUCTION CONTINUE TO INCREASE. THE COMMUNITY'S ESTIMATED OIL BALANCE IS AS FOLLOWS, IN MILLIONS OF TONS:

	1975	1976 (EST)	1977 (EST)
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CRUDE OIL
PRODUCTION

	11	22	44
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IMPORTS: CRUDE OIL	478	537	475
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REFINED PRODUCTS
(NET)

	6	5	4
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TOTAL SUPPLIES	495	564	523
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STOCK VARIATIONS	-9 PLUS 27		-20
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OIL UTILIZATION 504 537 543

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00
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7. ENERGY POLICY. THE EC COUNCIL'S HIGH LEVEL ENERGY GROUP ON MARCH 3 REVIEWED A NUMBER OF POSSIBLE ENERGY MEASURES CARRIED OVER FROM 1976 (REF B) WHICH MIGHT BE TAKEN UP BY THE ENERGY COUNCIL ON MARCH 29.

A. ALTHOUGH IT STILL APPEARS MOST UNLIKELY THAT FRANCE WILL AGREE TO COMMUNITY ADOPTION OF A MINIMUM SAFEGUARD PRICE (MSP) OF \$7 PER BARREL FOR CRUDE OIL, THE SUBJECT WILL UNDOUBTEDLY BE TAKEN UP -- ALONG WITH EURATOM LOANS FOR NUCLEAR POWER DEVELOPMENT, WHICH THE UK WILL ACCEPT ONLY IF MSP IS ALSO APPROVED.

B. A COMPLICATED COMPROMISE FORMULA HAS BEEN PROPOSED BY THE COMMISSION IN REGARD TO TARGETS FOR REDUCTION OF ENERGY CONSUMPTION IN CASE OF A 7 PER CENT OR MORE CUT-BACK IN PETROLEUM SUPPLIES, IN ORDER TO SATISFY ITALIAN OBJECTIONS THAT SUCH MEASURES SHOULD APPLY TO ALL FORMS OF ENERGY, NOT JUST PETROLEUM. A BRITISH PERMDEL SOURCE SAID THAT MANY DELEGATIONS OBJECTED TO THIS PROPOSAL AS BEING TOO COMPLICATED AND NOT CONSISTENT WITH THE IEA EMERGENCY
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SHARING PLAN WHICH IS ALREADY IN PLACE.

C. THE LONG TERM PROGRAM FOR COKING COAL SUBSIDIES -- WHICH WERE EXTENDED FOR 1977 ONLY -- MAY BE CONSIDERED, ALTHOUGH SOME DELEGATES THOUGHT THE COMMISSION PROPOSALS ON THIS AS WELL AS ON FINANCIAL SUPPORT FOR USE OF COAL IN POWER STATIONS AND FOR COAL STOCKPILES WOULD BE NOT SUFFICIENTLY ADVANCED FOR CONSIDERATION AT THE MARCH 29 ENERGY COUNCIL.

D. THE EC COMMISSION IS ALSO WORKING URGENTLY ON A PROPOSAL FOR COMMON COMMUNITY POLICY IN REGARD TO THE RATIONALIZATION OF REFINERY UTILIZATION AND FUTURE REFINERY DEVELOPMENT. A COMMISSION OFFICIAL NOTED THAT THE COMMISSION RECOGNIZED THAT THE PROBLEM OF EXCESS REFINERY CAPACITY, AS WELL AS EXPANDING CRACKING FACILITIES, WILL HAVE TO BE RESOLVED PRIMARILY BY THE PETROLEUM INDUSTRY ITSELF, BUT FELT THAT A COMMISSION STUDY AND RECOMMENDED GUIDELINES COULD FACILITATE THIS PROCESS. THIS SUBJECT IS ALSO RELATED TO AN ITALIAN MEMORANDUM TO THE EC (REF C) PROPOSING, AMONG OTHER THINGS, CREATION OF A EUROPEAN ECONOMIC ENERGY COMMUNITY (SIMILAR TO THE IRON AND STEEL COMMUNITY). ONE COMMISSION SOURCE DESCRIBED THE ITALIAN PROPOSAL MUCH TOO SWEEPING IN SCOPE TO BE TAKEN SERIOUSLY.

8. IN ADDITION TO THE PENDING MEASURES CARRIED OVER FROM 1976, THE COMMISSION ALSO SUBMITTED A COMMUNICATION ON THE "COMMUNITY COAL MARKET SITUATION" WHICH RECOMMENDS INTRODUCTION BY THE MEMBER STATES OF "AUTOMATIC LICENSING PROCEDURES FOR COAL IMPORTS FROM THIRD COUNTRIES" AND OTHER MEASURES TO MONITOR AND PREDICT TRENDS ON THE EC COAL MARKET. EC COAL PRODUCERS WANT SOME PROTECTION FROM IMPORTS ALTHOUGH THE COMMUNITY RECOGNIZES ITS DEPENDENCE ON SUCH IMPORTS. LIMITED OFFICIAL USE

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WHILE THERE WAS GENERAL AGREEMENT ON THE DESIRABILITY OF MORE COMPREHENSIVE AND ACCURATE COAL DATA AND PROJECTIONS, ACCORDING TO COMMISSION AND PERMDEL SOURCES, SEVERAL MEMBER STATES HAD SERIOUS RESERVATIONS OVER THE INTRODUCTION OF PRIOR IMPORT LICENSING REQUIREMENTS, EVEN THOUGH THESE ARE INTENDED TO BE GIVEN AUTOMATICALLY AND NOT TO RESTRICT COAL IMPORTS.

9. THE COMMISSION ALSO SUBMITTED A QUITE GENERAL

COMMUNICATION CALLING FOR "INTENSIFICATION OF THE COMMUNITY'S PROGRAM FOR ENERGY SAVINGS", PARTICULARLY IN THE AREAS OF SPACE HEATING, MOTOR VEHICLE UTILIZATION, DOMESTIC APPLIANCES UTILIZATION, ENERGY TRANSFORMATION AND ENERGY-INTENSIVE INDUSTRIES. THIS REPORT FURTHER PROPOSES CREATION OF AN ENERGY SAVING POLICY COMMITTEE. IT PROPOSES ENERGY SAVING DEMONSTRATION PROJECTS IN SEVERAL FIELDS IN COORDINATION WITH NATIONAL AND COMMUNITY R & D PROGRAMS. MOST OF THESE PROPOSALS WERE ACCEPTED IN PRINCIPLE BY THE HIGH LEVEL WORKING GROUP, EXCEPT FOR THE CREATION OF THE SAVING POLICY COMMITTEE ON WHICH FURTHER INFORMATION WAS REQUESTED. FURTHER PROPOSALS FOR CONCRETE ACTION FROM THE COMMISSION WILL BE REQUIRED.HINTON

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